

HOUSE FINANCE COMMITTEE
February 15, 2017
1:32 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:32 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Paul Seaton, Co-Chair
Representative Les Gara, Vice-Chair
Representative Jason Grenn
Representative David Guttenberg
Representative Dan Ortiz
Representative Lance Pruitt
Representative Steve Thompson
Representative Cathy Tilton
Representative Tammie Wilson

MEMBERS ABSENT

Representative Scott Kawasaki

ALSO PRESENT

David Teal, Director, Legislative Finance Division; Alexei Painter, Fiscal Analyst, Legislative Finance Division; Ken Alper, Director, Tax Division, Department of Revenue.

SUMMARY

HB 115 INCOME TAX; PFD CREDIT; PERM FUND INCOME

HB 115 was HEARD and HELD in committee for further consideration.

PRESENTATION: MODELING BY DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION

PRESENTATION: EXPENDITURE REDUCTION OVERVIEW BY RANDALL HOFFBECK, COMMISSIONER, DEPT. OF REVENUE

Co-Chair Foster reviewed the agenda for the day.

#hb115

HOUSE BILL NO. 115

"An Act relating to the permanent fund dividend; relating to the appropriation of certain amounts of the earnings reserve account; relating to the taxation of income of individuals; relating to a payment against the individual income tax from the permanent fund dividend disbursement; repealing tax credits applied against the tax on individuals under the Alaska Net Income Tax Act; and providing for an effective date."

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^PRESENTATION: MODELING BY DAVID TEAL, DIRECTOR,
LEGISLATIVE FINANCE DIVISION

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DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, was asked to begin with a review of the status quo [Mr. Teal used a model on the projector but did not provide a handout to accompany his presentation]. He turned the presentation over to Mr. Painter.

ALEXEI PAINTER, FISCAL ANALYST, LEGISLATIVE FINANCE DIVISION, explained that the graph in the upper left showed revenue and the budget. The blue bars represented the typical revenue. The green bars represented Permanent Fund (PF) revenue not in place yet. He explained that the orange/brown bars showed draws from the Constitutional Budget Reserve (CBR) or Statutory Budget Reserve (SBR) and the red bars were unplanned draws from the Earnings Reserve Account (ERA).

Co-Chair Foster asked if members had copies of the presentation. He confirmed that members did not have copies.

Mr. Painter continued that the lower left graph showed budget reserves. The orange bars represented the CBR and the green bars showed the ERA. The top right graph showed

the dividend check. The lines were the same showing the current scenario, the status quo. Below the dividend check graph was a graph of the Permanent Fund total balance. The bottom right graph showed the payout for dividends and general fund from Permanent Fund plans. The status quo scenario did not include a plan.

Co-Chair Seaton asked Mr. Painter to distinguish between the dotted line and the black line in the upper left chart. Mr. Painter explained that the black line represented the budget including paid Permanent Fund Dividends (PFD). The dotted line showed the budget excluding dividends - the traditional way of showing the budget. He relayed that when he turned PF plans on in the model, the dividend became undesignated general fund (UGF). Expenditures would be reflected on the black bar. He noted that the expenditures without dividends were constant on the dotted line.

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Vice-Chair Gara could not see the charts well. He asked what the first year was listed on the chart. Mr. Painter responded that the first year was FY 16 and the last year was FY 26.

Vice-Chair Gara asked for the projected balance of the CBR by the end of FY 18. Mr. Painter relayed that without a PF plan in place there would be approximately \$2 billion by the end of FY 18.

Vice-Chair Gara suggested that at the end of FY 18 the state would have to start spending from the ERA to balance the budget unless \$1 billion was cut from the budget. He wondered if he was accurate. Mr. Painter responded affirmatively. He pointed to the red bar in the budget line for FY 19, which showed that in order to pay for the budget, the state would have to have an unplanned draw from the ERA.

Vice-Chair Gara was looking at the bottom left-hand corner. He noted that by FY 19 or FY 20 the state would be solely spending down the PF ERA. He asked if it was by FY 19 or FY 20. Mr. Painter responded that it would begin in FY 20.

Representative Wilson asked whether the legislature needed a statute change in order to implement a Percent of Market Value (POMV) using the earnings reserve, or whether the

legislature could just use a budget mechanism, a bill. She wondered if a separate bill was needed. Mr. Teal responded that a bill was not required for the legislature to appropriate money from the ERA. The bill would provide the legislature guidelines or a structure to issue a payout. It would be a computation based on a 5-year moving average of the market value and a percentage payout. The legislature could determine what the number was and place it in the appropriation bill without the current bill.

Representative Wilson asked what the budget amount would be once FY 17 hit. She wondered if it was \$4.2 billion. Mr. Teal responded that it would be roughly \$4.2 billion or \$4.3 billion depending on what happened in the current year. The assumptions at the top [Mr. Teal pointed to the Fall forecast in the middle of the screen]. He commented that no growth was reflected in the budget. The numbers could be changed, but the chart was started without growth because there were some legislators who suggested that the budget had to be raised every year to keep up with inflation. Whereas, other legislators suggested that the state would be making cuts every year. The model could be changed to see the impact of an increasing or decreasing budget.

Representative Wilson understood that the model reflected the status quo. She suggested that status quo would reflect the legislature making reductions in the budget each year, which she thought the chart should reflect. She asked about the payout for dividends and the general fund and why the amount was at zero on the chart in the bottom right graph. Mr. Teal responded that the bottom right graph was the payout from the ERA to the GF. There was no payout under the status quo scenario. Dividends came directly from the ERA to the dividend fund which was not reflected in the chart. He explained that as soon as the legislature changed to a POMV plan, lines would show on the bottom right graph.

Representative Wilson thought that Mr. Teal was only talking about the dividend. She clarified by asking if he was talking about the dividend going into the GF or some part of the earnings reserve going into the GF in the bottom right graph. Mr. Teal explained that it would not matter whether it went through the GF on the way to the dividend fund or went straight from the ERA to the dividend fund. Mechanically, they were the same; Politically, they

were different. Currently, there was no payout going through the GF, hence, the line was at zero.

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Representative Wilson suggested referring to the top right-hand chart to see effects on the dividend check. She thought that anything that went beyond the top right-hand chart would appear in the bottom right-hand chart as far as doing more than just paying a dividend check. She was trying to figure out what she would see that she presently could not see on the chart. Mr. Teal directed Mr. Painter to change the model to a POMV plan. Mr. Painter indicated that the model currently reflected the governor's plan. He pointed to the green line on the bottom right chart, which was the payout to the GF. The payout was the planned payout of the POMV draw. The red line showed the payout to the dividend fund. Both would go through the GF but were separated out to show the size of each.

Representative Wilson indicated that the explanation clarified things for her.

Co-Chair Foster Representative Grenn had joined the meeting.

Co-Chair Seaton referred to the upper right dividend check graph. He wondered if it reflected a statutory calculation. In the bottom left chart, it appeared there was no money to pay the dividend. He asked if he was interpreting the chart correctly.

Mr. Painter responded there was a very small amount \$100 million left at the end of FY 26. There would be a sufficient balance to pay the full statutory calculation that year according to the Legislative Finance Division's (LFD)'s model. The margin of error in the model was far greater than \$100 million. He did not want to give a false impression.

Co-Chair Seaton suggested that the bottom left chart showed that there was no money remaining in the ERA. In the upper right-hand corner showing the dividend checks. He thought the chart showed large dividend checks being paid out continuously because of a statutory requirement even though there would be no money to pay them. Mr. Painter explained that the balances were end-of-year balances. Therefore,

there would be money at the beginning of the year to pay the dividend check. However, at the end of the year the ERA would be zero.

Mr. Teal thought the co-chair was concerned with what happened in 2027. By 2026, the state would be at a zero balance. It also meant that in 2027 the state would have a difficult time paying dividends, as there would be insufficient money in the ERA to make the dividend payment. He noted that every year there were earnings. The state would earn money in FY 27. However, it was uncertain whether the earnings in that year would be sufficient to make payments.

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Representative Wilson thought the ERA was being discussed. She brought up the fact that there would still be money in the corpus of the fund. The 5-year calculation had to do with the corpus rather than the ERA. She suggested that as long as the corpus went untouched, there would still be money going into the ERA. There might not be enough money to pay the calculated dividend, but to conclude that there would be no dividend when the corpus existed, would not be accurate. She asked if she was correct.

Mr. Teal indicated that the chart reflected the assumption that government required money first. For example, if the earnings on the corpus and the ERA equaled \$3 billion. The unplanned draw would equal \$2.3 billion to fund government. It would account for everything but \$700 million of the earnings. If the state earned 7 percent, the state could continue paying dividends. However, dividends would drop to \$700 million in that year. If the state did not earn what it hoped, then the state would be short funded and would have to either choose to pay reduced dividends or to reduce the budget.

Representative Wilson suggested that there was a difference between state government taking all the money and not paying a dividend. The dividend would still exist. The legislature could either lessen the dividend or reduce the budget. Her point was that the corpus would continue to generate earnings. The calculation would still remain in place. If the state did not reduce its budget, the state could take all the money and not pay a dividend. Alternatively, the state could pay a dividend and reduce

the budget or generate other revenue. She suggested that as long as the corpus remained untouched the people would receive a dividend unless the state had a bad year in the stock market.

Mr. Painter asked if the committee wanted to see the effects of HB 115 in the model. Co-Chair Foster responded affirmatively.

Vice-Chair Gara asked Mr. Painter to go to the previous model. He suggested that members had different views around the table. He supposed the legislature could continue to massively cut state services in order to be able to pay dividends. He suggested that the legislature could do both: the legislature could maintain state services and pay a dividend by adopting a plan. However, the committee had heard that every \$100 million in reductions would equal another 1000 to 1500 jobs lost resulting in a 10-year recession. He did not want a 10-year recession.

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Representative Wilson thought it was critical for members to be able to ask questions to confirm that the facts were being provided. She wanted to make sure that as the members were given the charts, they understood that choices would have to be made regarding the dividend. She wanted to make sure people understood that as long as the corpus was protected a dividend would be generated. She suggested what happened after that, based on what the legislature did with the budget and other issues, was to be determined. She indicated that every time she asked a question, she felt that someone took advantage of it. She was tired of it.

Mr. Painter returned to the model for HB 115. The last view of the model assumed consistent investment returns of 6.95 percent per year. Presently, the model was showing the actual returns from the previous 9 years. It sort of broke LFD's model because there was not a sufficient balance to pay the amount. He noted that with volatility the picture looked quite different than a stable picture. He indicated members were seeing the reverse of the previous 9 years. The great recession happened in a different year. The model showed the dividend continuing to be paid and then a hole in government spending. The model assumed the dividend was paid first then there would be a hole to government

spending. He reemphasized that the model showed the impact of volatility.

Mr. Teal thought it was important to assume that in each model or bill, unanticipated things could occur. He mentioned examples such as low oil prices or lower earnings. The division applied the notion that history repeated itself. He thought the information provided a more realistic scenario than simply assuming a constant 6.95 percent earnings.

Mr. Painter asserted that the model demonstrated the effects of HB 115. It illustrated the impacts of the POMV approach and an income tax. He pointed to the dividend in the upper right chart. The dividend started out about \$1100 and steadily increased in the model as the value of the payout was increasing faster than population. Next, he pointed to the bottom left which showed the CBR and the ERA increasing. The bottom right graph showed the payouts with a two-thirds/one-third model. The graph to the general fund was twice the graph to the dividend. In showing the different investment returns in the past LFD used the previous 9 years. It did not look very pretty, but there was an earnings reserve balance at the end of each year. Also, the dividend payment was relatively steady, an advantage of a POMV plan.

Co-Chair Foster clarified that Mr. Painter was presenting a look-back of actual returns over the prior 9 years. He asked if he was correct. He noted a dip in the middle of the graph. He asked about the returns in that dip period.

Mr. Painter explained that the state had losses greater than 20 percent.

Mr. Painter continued that the chart he was looking at showed the prior 9 years reversed. He noted that at the end of a year there would be no earnings in the ERA. He emphasized that he was looking at a 1 in 20-year event. He scrolled back to the more stable view of the model. He highlighted that the plan had an inflation proofing provision that equaled 4 times the draw. One of the places where LFD's model might disagree with the Department of Revenue's model was the percentage of the investment returns that were realized in the ERA each year versus held and unrealized gains. Under a plan that inflation proofed there was no difference. In switching between assumptions, the additional investment returns would be inflation

proofed into the principle. In a POMV plan that included inflation proofing, the assumption was not sensitive. Whereas, it would be sensitive without a POMV plan.

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Co-Chair Foster wondered, under HB 115 with a four times rule, if the money went back into the principle in each of the years, some of the years, or none of the years.

Mr. Painter explained that there would be inflation proofing in some years, but not all.

Vice-Chair Gara asked Mr. Painter for clarification. He understood that the legislature had not inflation proofed in 2 years.

Mr. Painter explained that with the conservative assumption that only 57 percent of gains were realized, there would be an inflation proofing transfer in FY 18 because the balance was sufficiently high. There would not be an additional transfer for several years. He suggested that with a 90 percent return assumption, there would be inflation proofing consistently from FY 18 and beyond. There was sensitivity in how much would be realized each year, a significantly volatile number.

Mr. Teal furthered that inflation proofing would also depend on the payout rate. As the payout rate fell, more money would remain in the fund making it easier to reach the 4 times trigger. There would be more money in the fund, and the payout would be smaller - 4 times the payout would become a smaller target. He continued that the lower the payout rate, the more likely inflation proofing would occur, and more money would go into inflation proofing. In fact, it might be possible to over inflation proof the fund. There would be no trigger, unlike currently, where inflation proofing was based on the consumer price index (CPI). A calculation was applied to try to keep pace with inflation. The 4 times trigger did not keep pace with inflation, it just deposited money into the fund. It might or might not cover inflation, or it might be greater than inflation.

Vice-Chair Gara asked about the 4 times trigger. He wondered if it meant that once there was a balance of 4 times the payout in the ERA, then the money above that

amount would go into the corpus of the fund. Mr. Teal responded in the affirmative.

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Mr. Painter did not have anything more prepared except to show the impact of the bill and to answer any questions.

Representative Pruitt thought it would be helpful to use the model to view the impacts of other scenarios.

Co-Chair Foster invited LFD to present other scenarios, if possible.

Mr. Painter reviewed the governor's plan in HB 61. He noted that the plan, although similar to the other, stabilized reserves. However, it did not balance the budget for slightly longer, had slightly lower dividends, and no income tax. The dividend would be held at \$1000 for 2 years and would rise with the formula. It was slightly lower than the other plan. He continued that the POMV payout was slightly higher and the dividend formula was different. The plan could be viewed under different assumptions of returns. He pointed to the lower left-hand chart that reflected the previous 9 years. It barely scrapped through. He also shared that with the reverse it managed to get through. The dividend payout was relatively stable because it was based on POMV and royalties, which were less volatile than earnings.

Co-Chair Foster asked him to re-summarize what he had just stated. He thought Mr. Painter had stated that it had a higher POMV and smaller dividends. He asked him to review what was better in terms of what saved the state more or less. He also wanted him to speak on the pros and cons of HB 115 versus the governor's bill [HB 61]. Mr. Painter deferred to Mr. Teal.

Mr. Teal thought the results were fairly similar. There would not be an income tax, which meant things did not look quite as they would under HB 115 because revenue would be lower. On the other hand, paying lower dividends would mean that there would be more money left for the general fund. It would be a partial offset. The governor's bill had a revenue limit. However, under the current forecast, the revenue limit would not kick in. The payout rate of 5.25 percent provided more money to the GF and kept reserve

balances high. The timeframe of the model was too short to show that the 5.25 percent payout eventually began to payout less than the 4.75 percent payout under HB 115. He relayed that in the first few years 5.25 percent would pay more to the GF.

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Vice-Chair Gara asked if it was appropriate to model a scenario. Co-Chair Foster encouraged Vice-Chair Gara to provide his scenario.

Vice-Chair Gara asked LFD to model 5.25 payout for the first 2 years, then going down to 5 percent payout with 65 percent going to services and 35 percent going to dividends. Mr. Painter asked Vice-Chair Gara if the model reflected what he had in mind. He asked if there were specific dividend amounts to include.

Vice-Chair Gara replied that if there was a split of 65/35, with a payout of 5.25 for 2 years and 5 percent afterwards, he wondered what the dividend payout and the general fund payout would be from the POMV. Mr. Painter recapped Vice-Chair Gara's scenario. The dividend would begin at approximately \$1300 and would climb. The difference between a payout of 5.25 percent and 5 percent was difficult to see from year to year in the model. He indicated that the draw to the GF in FY 18 would be \$1.6 billion and to the dividend fund would be \$884 million.

Vice-Chair Gara asked if the draw for services began at \$1.6 million and would go up slightly. He wondered if the amount was similar to the other plans. He noted using a more aggressive payout. He wondered if the government services payout would be slightly higher or the same as in the current version of HB 115. Mr. Painter responded that in the current version of HB 115 the payout to the GF would be \$1.692 billion. In Vice-Chair Gara's version would be \$1.642 billion. There would be a difference of \$50 million.

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Co-Chair Seaton asked if the deficit was maintained over all of the years [in Vice-Chair Gara's example]. Mr. Painter responded, "Yes it does."

Co-Chair Seaton asked if it was the case in the other scenario. Mr. Painter replied that in HB 115 with the income tax there would be no deficit. He noted that without the income tax the deficit would remain. The governor's bill closed the deficit eventually but not towards the end of the period.

Representative Wilson asked about UGF revenue. In the models the committees had been shown, revenue did not appear to be moving much. She wondered if a certain percentage of growth in UGF was assumed in all of the plans. Mr. Painter responded that the current revenue streams represented in blue bars were according to DOR's revenue forecast which did not change. There was a slight difference because the governor's plan reduced the percentage going to royalties to the constitutional minimum, which increased UGF revenue slightly. For the most part, all of the plans did not make a large change to existing revenue. A green bar was added that reflected a payout from the ERA.

Representative Wilson relayed that in the status quo model the line went straight across and was close to \$4.2 billion or \$4.3 billion. She wondered if Mr. Painter was indicating that the growth was based on one of the bars. She wondered if the formula was making the line change. Mr. Painter responded that the dotted line on the upper left-hand chart did not change through any of the plans. It reflected the budget less dividends. Instituting any of the plans being discussed could be seen on the black bar that reflected the budget including dividends. He returned to the status quo graphs and pointed to the dotted line which remained static. He highlighted that the black line that included the dividends increased due to dividends increasing.

Representative Wilson asked if the numbers reflected the assumption that oil prices would remain the same. She asked if she was accurate. Mr. Painter answered that the revenue numbers that were used were from DOR's revenue forecast for each year. The department built in an increase in price and decrease in production over time. Representative Wilson thought it was difficult to know what each line was doing.

Vice-Chair Gara commented that they were discussing policy calls within a range that Mr. Teal testified to. He asked about the impact on the deficit and the CBR by using a higher percentage payout. Mr. Teal responded that the

amount of payout changed by about \$125 million for each quarter point increase in the percentage. He suggested that going from a 5.25 percent payout to a 4.75 percent payout the payout would drop by about \$250 million. He continued that over time the 4.75 percent payout, after 20 years, would actually payout more than the 5.25 percent payout because more money would have been left in the corpus and in the ERA to generate a higher level of income.

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Vice-Chair Gara commented that the chart that was presented on a previous day showed that for the first 20 years the higher payout provided a greater payout, but afterwards the payout was smaller. He asked if he was thinking of the crossover chart from a prior day. Mr. Teal replied, "That's correct."

Vice-Chair Gara ran another scenario. He suggested a 5.25 percent payout for 2 years, a 5.0 percent payout after the 2 years, with a split of 67 percent to services and 33 percent to dividends. He asked how the scenario would affect the dividend and the payout. Mr. Painter noted the change, which was not very large, but reduced the dividend by about \$50. Vice-Chair Gara asked what was added to the payout for state services. Mr. Painter replied that the payout of 33 percent to the general fund would be \$1.692 million. At 35 percent the GF payout would be \$1.642 million. There was a difference of \$50 million.

Co-Chair Seaton asked about the deficit amount in the most recent scenario. Mr. Painter replied that the deficit in FY 26 would be approximately \$300 million. Co-Chair Seaton suggested that the difference between the current scenario and HB 115 was the income tax. He asked Mr. Painter to reinsert the income tax revenue. It appeared that the deficit would be gone in FY 22. Mr. Painter confirmed the representative was correct. Co-Chair Seaton asked if the approximate payout would be about \$1250 going up to \$1500. Mr. Painter responded affirmatively.

Co-Chair Seaton asked for the comparison of the volatility with and without an income tax. In other words, the legislature was trying to smooth out volatility with a POMV plan but with two different revenue sources. He asked Mr. Painter to show the committee an example. Mr. Painter indicated that the chart showed the previous 9-year

investment returns with an income tax. He then switched the model to reflect the numbers without an income tax. He noted that the largest difference was the CBR balance. He relayed that with an income tax there would be a much larger CBR balance. Without an income tax the CBR balance would decline.

Co-Chair Seaton asked if Mr. Painter had shown the model with the reverse 9 years as well. Mr. Painter showed the reverse with the income tax and then without. The difference in reserve levels at the end of FY 26 was that without the income tax it was approximately \$6 billion, with the income tax it was approximately \$12.7 billion to \$13 billion.

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Representative Guttenberg pointed to the modeling line and asked about any significant changes beyond the 10-year period reflected in the model. He wondered about any spikes or curves. Mr. Painter explained that LFD did not have a revenue forecast for the years Representative Guttenberg mentioned. It would be difficult to say if there would be any difference in an overall picture without a forecast. Representative Guttenberg was aware that Department of Natural Resources had certain projections and field explorations and development plans into the future.

Co-Chair Seaton asked members if they wanted to see any other scenarios modeled.

Representative Wilson asked Mr. Painter to model Senator Dunleavy's scenario and Senator Steadman's scenario. Mr. Painter showed the 50/50 plan. He had not seen a bill presently for the plan. The plan used the same formula for payouts to the GF as was used for the dividend currently. The model had higher dividends and was sensitive to realized income. It also showed somewhat declining reserves depending on the assumptions. Senator Dunleavy's plan included budget cuts of increasing amounts. It was difficult to show that point in the model. He thought the cuts equaled \$1 billion.

Representative Wilson interjected that the Senate's plan was to reduce the budget by \$750 million in the following 3 years. Mr. Painter indicated that the model currently showed \$750 million in reductions, although taken all in FY

18. The visible impacts included stabilizing reserves and increasing the ERA.

Representative Wilson asked to see Senator Stedman's version applied to the model. Mr. Painter modeled SB 21 [Legislation offered in 2017 - Short Title: PERMANENT FUND: INCOME; POMV; DIVIDENDS]. It reflected a 4.5 percent POMV with a payout split of 50 percent for dividends and 50 percent for government services. The model included \$750 million of cuts. Without the \$750 million in cuts there would be unplanned draws. He added that because the plans both had higher dividends, there would need to be other action taken to avoid the unclaimed draws. He relayed that \$750 million in reductions would be an answer.

Representative Wilson asked if the gap for both Senator Dunleavy's plan and Senator Steadman's plan was \$300 million. Mr. Painter did not say an amount. However, with \$750 million of cuts the deficit under SB 21 would shrink to \$150 million by FY 26. Under the 50/50 plan the deficit would be approximately \$287 million. He added that the 50/50 plan used investment returns. If applied to the prior 9 years, the dividend moved significantly and the payout to services also changed. It would make it through the period, but it would likely have extreme swings. The reverse had similar features. Senate Bill 21 had more stable payouts and dividends. He showed the model with \$750 million cuts and then without.

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Vice-Chair Gara asked about the impact on jobs in the state and the impact on the length of the current recession by cutting another \$750 million from the budget. Mr. Teal thought Vice-Chair Gara's question should be directed to someone else. Others had previously addressed the topic. The Legislative Finance Division focused on the impact to the treasury.

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Vice-Chair Gara mentioned that the only bill that had passed was the previous year's Senate bill. He asked if last year's bill and the governor's bill were the same. The dividend would be about \$1000. Mr. Teal responded, "That's correct, they're very similar bills."

Vice-Chair Gara asked if Representative Millet's bill from the prior year offered \$1000. He asked if the dividend fell after \$1000. Mr. Painter did not recall the modeling of the bill Vice-Chair Gara was referring to. He believed it was the same as Senator McGuire's bill.

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Representative Grenn asked to for Mr. Painter to use the HB 115 model and change the POMV payout from year-to-year starting at 5.75 percent and decreasing by .25 percent to show 5.5 percent, 5.25 percent, then 5 percent. He wanted to see if anything changed substantially. Mr. Painter showed the 3 POMV values.

Co-Chair Seaton observed that in the model the deficit would be gone in 2024. He asked to see the volatility for the previous 9 years. Mr. Painter reported the model showing the last 9 years and then the reverse.

Co-Chair Seaton appreciated being able to see the volatility based on real returns to avoid getting stuck thinking the state would have a constant return each year.

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Representative Guttenberg asked if the model was available for members to use independently. Mr. Painter indicated that there were several people in the office that would be available to run the modeling. Mr. Teal indicated that the program was not designed to be used for someone unfamiliar with the program.

Co-Chair Seaton asked if Mr. Teal would provide printed copies of the scenarios. He wanted members to be able to request a particular scenario. Mr. Teal responded, "Absolutely." He suggested that members come to the Legislative Finance office where there was a large screen that made it much easier to see the model. The only problem with printing the scenarios was that they did not come labeled automatically. Based on the changes the committee had been discussing in the current meeting, it was difficult to tell exactly what they were looking at any point in time. Labeling would have to be carefully done manually. He reiterated that legislators and staff were welcome to come to the office to view various scenarios and to have any of them printed.

Co-Chair Seaton asked Mr. Teal to explain the green area in the upper left-hand corner. He was specifically interested in the green bars in FY 25 and FY 26. Mr. Painter relayed that they were surpluses. The model assumed that they would go first to the Constitutional Budget Reserve (CBR). There could be a plan in which they went elsewhere.

Co-Chair Seaton asked to return to the HB 115 scenario. He asked him to include a budget growth rate of 1 percent. He wondered if the deficit would be eliminated by FY 25 or FY 26. Mr. Painter relayed that FY 26 was the first year without a deficit in the scenario.

Co-Chair Seaton asked about the value of the Permanent Fund itself at the same point in time. He also asked to look closer at the red and blue bars on the chart. Mr. Painter reported that the value of the total PF in FY 26 would be \$72 billion.

Co-Chair Seaton asked what the difference was between the red bar and the blue bar. Mr. Painter responded that the red bar represented the status quo. He furthered that because it had the unplanned draws from the ERA, the value would be \$69.1 billion. There was an approximate \$3 billion difference.

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Mr. Teal pointed out that on the graph below the PF balance there was a percent real value. In FY 18 it equaled 118 percent. By FY 26, it was 109 percent. He concluded it was more than keeping up with inflation. It was another way to look at the Permanent Fund balance. He suggested that legislators would want to maintain the real value of the Permanent Fund.

Vice-Chair Gara asked if Mr. Teal was comfortable with a draw amount of between 4.5 percent and 5.25 percent. He realized the percentage was a policy call on the part of the legislature. He wondered if the range would preserve the earnings reserve. He asked if between 4.25 percent and 5.25 percent was a safe range as a policy call. Mr. Teal replied in the affirmative.

Vice-Chair Gara opined that there was presently a crisis. He asked about a scenario in which for 2 years, 5.5 percent

was used. After 2 years the percent would go down to 5 percent. He asked if the idea would be a safe policy call.

Mr. Teal believed the earnings reserve balance was healthy enough to support a higher payout for a few years. He discouraged a 5.5 percent payout. He reiterated that a 5.25 percent payout was aggressive. Based on the current oil forecast, the Department of Revenue testified that 5.25 percent payout was aggressive, but doable. It would not impede the state's ability to pay out of the ERA. The bottom line was that it would not likely be too dangerous to have a payout of 5.5 percent for a few years. However, the state really did not need that amount as long as there was a reserve balance that was not endangered. The point was to preserve the CBR as an emergency reserve fund. He continued that as long as the legislature did not mind a lower payout from the ERA, the state would be fine. He relayed that a higher payout would take more money from the earnings reserve and less money from the CBR. The state would still need the same amount of money given a level of expenditures. A lower payout would provide less money from the ERA, therefore a larger deficit and a larger draw from the CBR. In the long run it probably did not matter significantly.

^PRESENTATION: EXPENDITURE REDUCTION OVERVIEW BY RANDALL HOFFBECK, COMMISSIONER, DEPT. OF REVENUE

[2:36:32 PM](#)

Commissioner Hoffbeck was asked to report the department's progress in reducing government expenditures over the prior few years. He mentioned having talked with a professor from the University of Potsdam who had traveled around the world talking with people associated with sovereign wealth funds like Alaska's Permanent Fund. The people the professor had spoken with reported having the same challenge Alaska was faced with - incorporating sovereign wealth into a fiscal fix in a changing commodity-based economy. The professor noted another mutual difficulty was getting policy makers to decide in the present to prevent an event in the future, especially when they would be held accountable based on the draconian nature of their decision. The professor also emphasized the importance of having the best possible information available and keeping the public informed in the process. The professor also suggested cutting first prior to making other decisions. The commissioner thought the state had already made appropriate reductions.

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Commissioner Hoffbeck began with slide 2: "Expenditure Reductions to Date." He reviewed the numbers, derived from LFD, showing an expenditure reduction of 44 percent since FY 13. He detailed that 28 percent had been cut from the operating budget and 95 percent had been cut from the capital budget with the weighted average being 44 percent. The state had reduced spending from \$7.8 billion down to \$4.3 billion, an astonishing reduction to expenditures over the period. He had spoken with many people around the state who indicated that in order to talk about additional revenues, further cuts had to be made first. People needed to feel that government had been reduced to a more efficient level before talking about other revenue solutions such as using the ERA and implementing taxes. He argued that the cuts had been made, and it was time to discuss other revenue options to close the fiscal gap.

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Commissioner Hoffbeck advanced to slide 3: "Expenditure Reductions to Date." He first pointed to the reductions in capital budget. The budget had been reduced by \$1.8 billion with \$100 million remaining in the budget. The operating budget, not including the K-12 formula, had been reduced by \$1.6 billion with \$2.5 billion left. He explained why he removed K-12 formula funding and the direct community payments out of the reduction calculations. He broke out the items in order to see what areas would be impacted with additional large-scale cuts moving forward. He also noted that removing the education funding out of the agency portion of the operating budget showed the relative significance of the cuts that have been made.

Commissioner Hoffbeck referred to slide 4: "Expenditure Reductions to Date: Unrestricted General Fund Reduction by Agency - FY15 Management Plan to FY18 Governor." He explained the level of impact to many of the agencies. He highlighted that the Department of Commerce, Community and Economic Development had been reduced 54.3 percent since FY 15 to the FY 18 management plan. He continued with the Department of Labor and Workforce Development which had a reduction of 37 percent. He indicated the chart continued through all of the departments. The Department of Law had been reduced by 20 percent. The administration had left it

up to the Legislature and to Judiciary to determine their own reductions. The legislature had made significant cuts of 16 percent. He noted that cuts to the Department of Health and Social Services, the Department of Corrections, the Department of Public Safety, the University of Alaska, and the Department of Education and Early Development were under 16 percent per agency. He highlighted that although some of the percentages were lower, the dollar amounts were some of the highest that had been made.

Commissioner Hoffbeck continued that the governor had promised 16 percent cuts when he was running for office. Some people suggested he had not met his goal - the commissioner disagreed. He believed the goal had been clearly met. He noted that on the governor's website a report could be found titled, "Examples of state cuts and closures to date." It showed all of the various things the state had done in an effort to accommodate expenditure levels. It provided a significant amount of detail.

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Commissioner Hoffbeck turned to slide 5: "Expenditure Reductions to Date." He reported that by the end of the current fiscal year 7 trooper facilities, 600 public health centers, 3 maintenance stations, 1 full correctional facility, 2 youth detention facilities, multiple job centers, and 1 fire training facility will close across the state. There were about 2500 fewer state employees as of October of the previous year (DOL numbers) and another 500 state employees would be cut by the end of the year. Additionally, state employees would not receive a cost of living adjustment for the following 3 years. There would be mandatory unpaid furlough days and increased healthcare costs. He continued that for the exempt employees, merit increases had been frozen.

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Commissioner Hoffbeck continued to slide 6: "Additional Expenditure Reduction Impact Scenarios":

- Capital Program Spending is already at an unsustainably low level and will likely need to be increased in the very near future.

- Agency Operations Spending has already been reduced 28%. Although additional reductions are planned through transitioning to shared services and consolidating program delivery there is little additional savings that can be achieved without the reduction or elimination of the programs and services that these expenditures support.
- Indirect Expenditures are currently being reviewed for modification or elimination. The largest of which is the oil and gas tax credit program which is already constrained to the statutory annual payout formula but has significant accrued liability that eventually will need to be paid through direct payment or reduced revenues.
- Direct Payments to Municipalities and to Program Participants represent over 46% of the total state budget. Cash out the door to support programs and services statewide.

Commissioner Hoffbeck indicated that the slide showed the areas where expenditures had occurred. One of the questions was where additional cuts could be made. The Senate had a plan to reduce the budget by an additional \$750 million. Senator Dunleavy's proposal included budget cuts of \$1.1 billion. One of the ideas was to hold spending flat for a decade to keep government from growing without affecting the public. He thought putting such a message out to the public would be a disservice. He pointed to the scenarios where the state could cut spending going forward. He relayed that the capital program spending was at an unsustainably low level and would likely be increased in the following few years.

The commissioner continued that not having an ongoing maintenance and capital program has had a large impact on the construction industry. Agency operations spending was down 28 percent. Although the administration continued to look for reductions through consolidation in the delivery of services and a shared services model for administrative functions, it was difficult to find savings without reducing or eliminating programs. There was some movement in making changes to indirect expenditures which would affect the private sector. He continued that the state could reduce its direct payments to municipalities and program participants which represented 46 percent of the

total state budget. He reiterated that 46 percent of the state's total budget was cash out the door to support programs and services statewide.

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Commissioner Hoffbeck moved to slide 7: "Additional Expenditure Reduction Impact Scenarios: Current Level of Direct Payment to Municipalities." The slide reflected the five largest payout communities including Fairbanks, Mat-Su, Anchorage, Kenai, and Juneau. The chart showed the amounts and the four major funding programs for the communities. The programs included the the education formula, the School Debt Assistance Program, the Retirement Assistance Program and the Community Assistance Program. Fairbanks received \$159.8 million per year; Mat-Su received \$224.5 million; Anchorage \$449.7 million; Kenai \$103.7 million; and Juneau \$58.6 million. The municipalities budgets were very dependent on the revenues that went to support their operations. The statewide total was \$1.6 billion.

Representative Wilson asked about the retirement system payout for the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS). Commissioner Hoffbeck responded in the affirmative.

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Commissioner Hoffbeck continued to slide 8: "Additional Expenditure Reduction Impact Scenarios: Reduction in Direct Payment to Municipalities." He spoke about the scenario on the slide that seemed extreme until further review. The scenario included cutting education funding 10 percent. Education funding would be cut by 10 percent and would completely eliminate school debt assistance, retirement assistance, and community assistance to the communities on the chart. The scenario would reduce the budget by \$464.4 million. The legislature would have to find an additional \$300 million in reductions on the low end. On the high end the legislature would have to find an additional \$650 million in reductions. The cuts in the scenario would be draconian cuts to the municipalities. It would likely implode most of the budgets of local communities. Questions about the impact to communities and how they would compensate had to be answered. He also wondered what else

would be left to cut in a cut-only scenario to get to a budget solution.

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Commissioner Hoffbeck advanced to slide 9: "Additional Expenditure Reduction Impact Scenarios." He wondered what it would take to offset the scenario of cuts. In looking at the 5 large communities that had a tax base and the ability to raise revenues Fairbanks would have to raise its property tax mill rate by 4.9 mills (36 percent); Mat-Su by 5 mills (50 percent); Anchorage by 3.8 mills (26 percent); Kenai by 2.2 mills (50 percent); and Juneau by 5.3 mills (49 percent). Mill rates would have to be raised by 25 to 50 percent to offset the reductions in the state's cash payments to municipalities. He wondered if communities would choose to pay for all of the items, or if they would eliminate some.

Commissioner Hoffbeck suggested that there was no flexibility with school debt reimbursement due to it being a general obligation debt. It was debt based on bonds that were sold on the full faith and credit of the local government. The bonds had to be paid by the local jurisdictions whether or not the state participated in the school debt reimbursement. Regarding PERS and TRS, there were constitutional requirements for the retirement system. Payments could be delayed for a time, but they could not be avoided, and municipalities would eventually have to pick up the payments. He explained that community assistance, money that was not necessarily tied to any specific programs, would be money that would have to be made up elsewhere. There were many rural communities that did not have a tax base or capacity to fund these revenues if the state no longer provided them.

Commissioner Hoffbeck wanted to clarify one other misrepresentation about the legislative body or the administration trying to defend maintaining or growing a bloated government. In every scenario government would shrink to some extent. He suggested that the question was about what the state valued enough to preserve in the process of addressing the fiscal gap.

Commissioner Hoffbeck continued to slide 10: "Additional Expenditure Reduction Impact Scenarios: Direct Payment to Recipient Programs":

Direct Payment to Recipient Programs:

- Housing Programs
- AK Temporary Assistance
- Child Care Benefits
- Community Developmental Disability Grants
- Behavioral Health Prevention/ Intervention/ Treatment/ Recovery Grants
- Adult Public Assistance
- General Relief Assistance
- Food Stamps
- Pioneer Home
- Senior Benefits
- WIC
- Foster Care
- Subsidized Adoptions
- LIHEAP (Heating Assistance)

Commissioner Hoffbeck relayed that slide listed the larger direct payment to recipient programs. He read the list on the slide. He suggested that programs listed were the next programs that to be cut potentially. He thought the state needed to consider all aspects when looking at cutting funding for various programs.

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Commissioner Hoffbeck continued to slide 11: "Additional Expenditure Reduction Impact Scenarios":

- Just because the State stops funding a program or service doesn't mean that the needs for that service go away. However, the Federal funding match often does go away causing severe collateral damage to the programs, services and the economy.
- Cuts flow downhill. If the State stops funding a program or service the burden often falls to the local governments and then to non-profits, the private sector, or finally to the individual.

- State expenditure cuts that don't recognize on going needs are a "pass through" solution. The expense doesn't go away it just shifts to an even smaller pool of resources.
- A statewide solution, such as a broad-based sales or income tax, broadens the funding for the delivery of programs and services by capturing revenues from out of state workers and visitors.

Commissioner Hoffbeck offered that even if the state stopped funding services, the need for those services would not go away. He thought it was possible the need would be greater. Reductions in state funding might result in the loss of matching federal dollars. Cuts rolled down hill. He continued to review the slide bullet points.

Commissioner Hoffbeck reported having been asked about the governor's take on the bills that had been offered. The governor did not comment on bills before they made their way through the legislative process. He wanted the legislative process to work to its fullest. The commissioner provided a quote from the governor's state-of-the-state address. The governor had relayed that it was time to move beyond the visionless exercise of budget cutting to achieve predetermined cost savings without considering their impacts and costs on society. The governor had emphasized the need to start thinking about how to build Alaska instead of pitting groups against each other in futile efforts to hold onto and maintain an ever-shrinking pie, tearing the state apart cut-by-cut. The state needed a better plan. The governor had reviewed the reality of a \$3.2 billion cut the previous summer. He had asked DOR to model an "all cut" budget to see what it looked like. He concluded that the impact on such an extreme reduction did not meet his vision for Alaska, not currently or for the future.

Commissioner Hoffbeck quoted Governor Bill Walker, "A strong economy, vibrant communities, healthy families, and a healthy environment are worth fighting for. It's worth sacrificing for, and it is our obligations to the future generations of the State of Alaska." The commissioner concluded that the price had been paid and the state needed to start talking about additional revenues including the use of the Permanent Fund earnings and looking at other tax solutions for closing the fiscal gap. He believed there

would be a balance in a mix of additional cuts and other revenues. The additional cuts needed to be based on good business decisions. More damage could be done depending on the cuts and the timing of the cuts. He continued that achieving a dollar goal could not be the only focus for additional reductions. He reported that the state had been making reductions since FY 13. The options were known, and decisions needed to be made. Until the state made some decisions it would be difficult to return to growing Alaska.

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Vice-Chair Gara thanked the commissioner. He agreed that the state could not cut much more of the budget without hurting people. He had heard that there was a direct correlation between continued cuts and costing the state jobs. He asked the commissioner to comment.

Commissioner Hoffbeck suggested that there had been several people that had testified in committee that there was a job loss cost to cuts. The most recent study he had seen was that the greatest impact on the economy was cutting state workers. If the state were to reduce everyone's revenues slightly people adjusted. However, when people's jobs were cut, they tended to leave the state. Impacts then filtered into the housing market and various other areas. It was difficult to adjust to a total loss as opposed to marginal changes in income. He referred to a study by Institute of Social and Economic Research (ISER) that concurred that the largest impact was the loss of state jobs.

Vice-Chair Gara was also concerned about how long the recession would last. He mentioned Mr. King's testimony from the previous day about an additional \$1 billion in cuts equaling an additional 20,000 job losses. He asked if the commissioner though the recession would be extended to 10 years.

Commissioner Hoffbeck could not speak directly to Vice-Chair Gara's question but commented that every decision regarding cuts and new taxes would have an impact. The only positive impact was using the Earnings Reserve for funding government services. The money in the ERA was not in the economy and would be new money in the economy. The governor's plan pushed for maximizing the use of the ERA and the 5.25 percent draw rather than a lower draw.

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Vice-Chair Gara stated that the dialogue had changed in the building. He suggested that now people were talking that a flat budget equated to the same level of services. However, like in education, a flat budget in Anchorage would equate to the loss of 99 teachers in the following year. He asked if Commissioner Hoffbeck agreed that a flat budget did not mean the same level of services.

Commissioner Hoffbeck reasoned that inflation would impact costs. Therefore, holding a budget flat would require adjusting for those costs elsewhere. Larger issues had to do with some of the underlying formula programs within the state. The governor took some criticism at the time he released his budget that he only had about \$100 million cuts in the budget. People felt that was not addressing the problem to the fullest extent. He argued that there was about \$260 million in increased formula costs and one-time and prior-year expenditures that were loaded in the prior year budget that had to be compensated for in order to reach a zero increase in the budget. He relayed 2 examples. Public Employees' Retirement System (PERS) and Teachers' Retirement System cost the state \$58 million more in the current year versus the prior year. Oil and gas tax credits cost the state \$44 million in the current year versus the prior year. He anticipated upward pressure from different areas of the budget besides the inflation factor. Holding a budget flat for a long time would be very difficult.

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Representative Wilson reported that North Pole paid a sales tax and a property tax. The community was giving. Now, the state was considering an income tax or a sales tax. She wondered about the areas that had chosen not to become any type of municipality. She understood the intention was for the entire state to be under some type of local government. Each local government would decide on the level of services to provide rather than the state deciding. She asked whether discussions on this topic had ensued within the administration.

Commissioner Hoffbeck responded there had been mandatory borough bills in past legislatures that had not passed. He reported having done an interview with one of the radio

stations in Anchorage recently and that same question came up. He indicated that boroughs had typically formed when there was a tax base. He cited examples such as the North Slope Borough which had formed around oil and gas development, and the Northwest Arctic Borough had formed around the Red Dog Mine. The Denali Borough had formed around the Usibelli Coal Mine. There had not been significant momentum in borough formation in areas where there was no economic base. He did not believe the issue could be resolved in the current bill. Borough formation had been discussed over the years and was a topic worth discussing again. However, the administration had not proposed a solution to the issue.

Representative Wilson understood that there used to be a school tax per person. She asked if the administration had considered imposing one in areas that did not currently provide funding for their school. She thought things were very unfair in the state regarding the way the municipalities were handled. Anchorage paid for its own police department, whereas, Fairbanks utilized the state police. She wondered if something such as a head tax had been considered for those areas that were not part of a borough. She thought it was important to get closer to being more equitable around the state.

Commissioner Hoffbeck mentioned that a head tax had been discussed in the prior year. He noted that Senator Bishop had introduced a school head tax bill in the Senate. The bill had not had any hearings schedule to-date. He admitted that the \$25 minimum tax in the current bill was essentially a head tax. He thought several of the bills under consideration were dealing with something akin to a head tax.

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Representative Wilson did not see the bill as a head tax bill. She asked for information on the additional expenditures impact scenarios. She asked for a list of the entities which paid and those that did not. She wanted a full picture of expenditures for the state.

Commissioner Hoffbeck responded that he would provide the documents she requested. He mentioned an additional handout in member packets titled, "State Revenue Impact On Alaska Communities." It had more communities listed than the 5

noted on the slide presentation. He would try to provide her with a comprehensive list.

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Representative Pruitt asked about the administration's thought process regarding education and health care and the roll the state played in each.

Commissioner Hoffbeck responded that the governor's position was clear that he thought a strong education system and strong communities were at the core of the state. He reported that when the governor looked at making major cuts in those areas versus a broad-based tax, he favored a tax.

Representative Pruitt posed a question about a willingness to discuss different delivery methods.

Commissioner Hoffbeck believed that the discussion was absolutely necessary. He thought the discussion had to occur within the agencies.

Representative Pruitt appreciated the commissioner's response. He pointed out that the cost of the education formula as it applied to the five listed large communities totaled two-thirds of the total cost of the education formula. He reported that since he had been a legislature, the state had increased the education budget every year with the except for the previous year due to the governor's veto. However, the state was still struggling with the same issues regarding delivery since he first arrived at the legislature. He surmised that unless the legislature was willing to have difficult conversations about education, health care, and their deliveries, they would increase. He agreed with Vice-Chair Gara that there was an automatic increase to budgets due to inflation. He thought members needed to discuss how things were being delivered, not just how they were funded.

Commissioner Hoffbeck agreed. He noted that his comment about making smart cuts applied. The state needed to make reductions in the right places. If there was a more efficient way of delivering education and health care with services remaining sound, the administration could support it. Unless the state was absolutely convinced there was a

way to save enough money to balance the budget, other revenue options would need to be discussed.

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Representative Guttenberg mentioned that some of the communities that were not organized had voted against the idea including Delta Junction and Nenana. If either of the communities had voted in favor of becoming a municipality, they would have become very wealthy. They would have taken in a large swath of the pipeline. If they had taxed themselves, they would have received the value of the pipeline and the state would have taken the rest. Both communities opted not to become a municipality. He wondered whether the communities could be included. He mentioned the idea of integrating the Legislative Finance Division's interactive model with the economist's models encompassing job losses and other effects on the economy. He asked how close the legislature could get to receiving an accurate picture by integrating several factors. He asked the commissioner for his insight.

Commissioner Hoffbeck did not believe a picture could be painted with a clear level of certainty. There were several moving parts and unknown factors. Alaska had a more stable population than what it had in the 80s. However, the administration did not know what the trigger points might be for people to leave the state. He thought the department could reasonably model the cost economic impact, but not the decision. He agreed with the House and Senate bringing in experts to help legislators in making decisions. He confirmed, that DOR could not deliver an integrated model that would tell members the right answer.

[3:20:49 PM](#)

Co-Chair Seaton was concerned that the commissioner agreed with the statement that the state had not improved its education system. Over the prior 5 years graduation rates had improved significantly. He noted that the Alaska Performance Scholarship Program had reached middle school as a merit-based program and kids were enrolled in more advanced classes. He mentioned Operation Grad and early childhood education. He also noted that 26,000 more people were enrolled in healthcare insurance than 5 years previously. He asked the commissioner for his thought regarding improved educational outcomes and performance and

delivery. He talked about a newspaper article which reported people were looking to Alaska rather than Finland for advanced high school education programs. He wanted to confirm that the commissioner was not agreeing that the state had not improved its education system or people's access to health insurance.

Commissioner Hoffbeck thought the question had been whether there was a more efficient way to deliver healthcare or education. If it was possible to get good results with alternative delivery systems, he thought it was worth looking at.

[3:23:16 PM](#)

Vice-Chair Gara agreed with Representative Pruitt that healthcare costs were increasing severely. He hoped to work with the administration on finding a solution.

Commissioner Hoffbeck confirmed that the administration wanted to work with the legislature on finding a solution. He agreed that it was a difficult problem.

Co-Chair Foster invited Mr. Alper to the table.

[3:25:11 PM](#)

KEN ALPER, DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE, had thought of the previous day's meeting. He relayed that the bill was very large and did 2 things: it changed the Permanent Fund and added an income tax. He had spent a significant amount of time the previous day answering questions on relatively small issues within a large bill. He suggested that DOR had regulatory discretion to come up with answers if handed a bill. However, the department would strongly prefer not to use its discretion. He urged members to put smaller items in the bill to provide clear direction to the department to ensure the intent of the legislature.

Co-Chair Foster asked Mr. Alper how much time he needed for his presentation scheduled for the following day.

Mr. Alper estimated 15 to 30 minutes.

HB 115 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the agenda for the following day.

#

ADJOURNMENT

[3:27:18 PM](#)

The meeting was adjourned at 3:27 p.m.